

Grants Management and Title I: Core Principles for Compliance

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Overview: Challenging Time for Title I

What we said in
January 2010

- ARRA/waivers/new guidelines
- Different ED offices interpreting the same rules differently
- Different opinions on what constitutes risk and how risks should affect oversight
- Different perspectives on policy goals
- ESEA reauthorization on horizon

January 2012

- Not much has changed . . .

So, what do we do?

- Know the ground rules of federal grants management:
 - Title I program rules
 - **OMB Circular A-87** (OIG recommendation from Title I Audits)
- In short:
 - Can your organization describe and document the entire lifecycle of Title I dollars?
 - Given the nature of the program and the amount you want to spend, would a “prudent person” understand the decision to spend funds on a particular cost?

Where Do the Ground Rules Come From?

Statutes (Congress)

- General Education Provisions Act
- Program Statutes (NCLB, IDEA, Perkins)

Regulations and Circulars (ED/OMB)

- Education Department General Administrative Regulations
- Program Regulations
- OMB Circulars ([A-87](#), A-133)

Guidance (ED)

- Non-Regulatory Guidance
- Presentations, letters, fact sheets, press releases
- Emails/phone calls

What is A-87?

- A-87 establishes the cost principles for state and local governments – including what an organization:
 - Cannot do (e.g. no alcohol)
 - Must do (e.g. keep time and effort records if paying staff with federal funds)
 - Might be able to do (e.g. spend money on a certain cost, like a conference or books)

Why does A-87 matter so much to Title I?

- Unlike other federal education programs, Title I, Part A **does not have a use of funds section**; therefore funds must be spent consistent with the purpose of the Title I program
- Purpose of Title I:
 - Ensure at-risk students can achieve proficiency on state academic assessments aligned to state academic standards
 - ED focuses on activities that relate to academic achievement
- Because the purpose is broad, A-87 provides a framework that helps establish link between expenditure and purpose
- Compliance with A-87 – and more importantly good program delivery – require robust systems across the organization

System Failures Hinder Program Success

- OIG Management Information Report, *Fiscal Issues Reported in ED-OIG Work Related to LEAs and SEAs* (July 21, 2009)
- Identified “pervasive **fiscal issues**” that affected **program implementation**
 - Failure to meet program objectives
 - Failure to demonstrate compliance with program requirements
 - Serving ineligible students
 - Unallowable/inadequately documented costs

Fiscal and administrative issues can be the critical (and often overlooked) link to program success or failure

Proper Spending of Title I Funds Requires the Entire Organization

- Academic staff
 - Grants Management/Title I staff
 - Procurement staff
 - Inventory management staff
 - Financial Management staff
 - Facilities/plant staff
 - Legal staff
 - Payroll staff
 - School staff
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- All of the above players are critical for good program delivery to students and for audit protection

First hurdle. Know what you can't do.

A-87 generally says that federal funds may not be used for:

- Advertising and public relations costs (with limited exceptions), including promotional items and memorabilia, such as models, gifts and souvenirs (**CAUTION: school promotional materials typically not allowed**)
- Alcoholic beverages
- Bad debts
- Contingency provisions (with limited exceptions)
- Donations and contributions
- Entertainment costs (**CAUTION: important in the context of field trips and parental involvement activities**)
- Fines and penalties (with limited exceptions)
- Fundraising and investment management costs (with limited exceptions)
- General government expenses (with limited exceptions pertaining to Indian tribal governments and Councils of Governments (COGs))
- Goods or services for personal use
- Lobbying
- Selling and marketing costs (with limited exceptions)

Second hurdle. Figuring out what you can do.

- Under A-87, all costs charged to federal funds must be:
 - **Necessary** for the performance or administration of the grant
 - **Reasonable** in light of the goals of the federal programs, the cost of the item, and the needs of the district
 - **Allocable**, meaning the cost benefits the grant in proportion to the amount charged
 - **Authorized** under state and local laws, policies and procedures
 - **Adequately documented**

TIP: The entire organization needs to be aware of these rules, and/or controls need to be in place to make sure they are followed.

Practical Considerations for “Necessary and Reasonable”

- Is it clear how the proposed cost relates to a valid educational or administrative decision? (**academic and grants management**)
- Does the cost make sense in light of Title I requirements (**academic, grants management, facilities, and school**)
 - Will the cost advance the purpose of the Title I program? Is it consistent with the school’s program design (TAS or SWP)? School improvement schools? Does it serve eligible students?
 - Does the cost comply with program fiscal rules (Set-asides? Supplement, not supplant? Comparability?)
 - Do schools know how to use the item or position? Do they have the capacity to use it (e.g. electrical capacity for computers/AV)? Can school staff explain how the item will advance the Title I program?
 - Would the public understand the cost?
 - Is there data/research/best practices that justify the cost?

Practical Considerations for “Necessary and Reasonable”

- Does the cost (goods) make sense in light of market conditions? (**procurement**)
- Does the cost (personnel) make sense in light of compensation for other personnel? (**payroll and financial management**)
- Does the cost make sense in light of what the state, district, or school currently has on hand? (**inventory**)
- Can the agency easily document Title I expenditures? (**grants management and financial management**)

Practical Considerations for “Allocable”

- Will the proposed cost benefit the program and in what amount? (academics, grants management, school, procurement, financial management)
- What controls will I need to put into place to ensure the Title I program receives the benefit it paid for?
 - Time and effort records?
 - Inventory management?
 - Use controls (passwords? Sign-out sheets?)
- Will my systems and paperwork provide evidence of the relative benefits of the cost?

Practical Considerations for “Authorized”

- What state/local rules or policies govern the proposed cost? (grants management, legal, procurement, etc.)
- Are all applicable state/local rules or policies being followed?
- Can my systems and paperwork provide evidence of compliance with applicable state/local rules or policies?

Practical Considerations for “Adequately Documented”

- What documentation do I need to demonstrate the organization’s decision-making?
- Can documentation be easily/quickly provided?
- Is there a central place for documentation? If not, can all the parts of the organization provide documentation relative to their work?

Practical Considerations for Adequately Documented (cont.)

- **Adequate documentation includes, but is not limited to:**
 - Needs assessment/project planning decisions
 - Formal application process and decisions (where appropriate)
 - Grant award
 - Project performance
 - Eligibility
 - Evidence of participation
 - Program changes
 - Procurement records
 - Inventory records
 - Payroll records
 - Financial records
 - Evaluation (where appropriate)
 - “Other records to facilitate an effective audit”

Practical Strategies for Title I Project Management

- Effective project management typically decreases an entity's risk for findings
- Questions to consider:
 - Who will be responsible for implementing the project?
 - Does that person have the needed resources?
 - What systems are impacted? Are those systems sufficient to carry out necessary actions?
 - Who needs to participate in the planning?
 - What are the relevant timelines?
 - How will implementation be overseen?
 - If necessary, what is the process for making changes?
 - What is the process for communicating throughout the project?

Practical Strategies for Title I Program Implementation

- **Program implementation is ongoing process and requires continual oversight and analysis**
- Questions to consider:
 - Is the organization carrying out planned activities, including control activities?
 - Are timelines consistent with applications and internal deadlines?
 - Is the organization following all written procedures?
 - If changes are necessary what is the process required to make changes and is the organization complying with them?
 - How is the organization communicating all relevant information to effected parties?
 - Is the organization monitoring performance?
 - How is the organization collecting, analyzing, and validated data
 - How is the organization comparing budgeted vs. actual costs and making appropriate adjustments?
 - What data sets need to be analyzed to make this determination?
 - If contractors or vendors are assisting the organization in carrying out activities, how is the organization ensuring performance?

Resources

- OMB Circular A-87:
http://www.whitehouse.gov/omb/circulars_a087_2004/
- OMB Circular A-133 Compliance Supplement:
http://www.whitehouse.gov/omb/circulars_a133_compliance_09toc/
- Education Department General Administrative Regulations:
<http://www.ed.gov/policy/fund/reg/edgarReg/edgar.html>

Resources

- AGA Risk Assessment Monitoring Tool:
<http://www.agacgfm.org/intergovernmental/downloads/riskassessmentmonitoringtool.pdf>
- AGA Financial and Administrative Monitoring Tool:
<http://www.agacgfm.org/intergovernmental/downloads/financialadministrativemonitoringtool.pdf>

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